

FDIC State Profile

Spring 2005

Ohio

Ohio posts job growth in 2004 from strength in services sector.

- Ohio continued to trail the nation in job growth. The state's nonfarm payroll increased 0.5 percent (about 25,800 jobs) in the year ending fourth quarter 2004 (See Chart 1).
- In response to growing manufacturing orders and shipments nationwide, Ohio manufacturing job losses slowed considerably in the past year. Even so, strong productivity gains and corporate restructurings continued to impede an upturn in factory employment.
- The retail trade sector, which accounts for about 12 percent of Ohio jobs, lost 7,100 jobs partly from the closures of some underperforming malls and a large supermarket chain.
- On a more positive note, the professional, education, and health services sectors were major sources of job growth that added 31,500 jobs in the past 12 months. Jobs gains were concentrated in the **Cleveland** metro area.

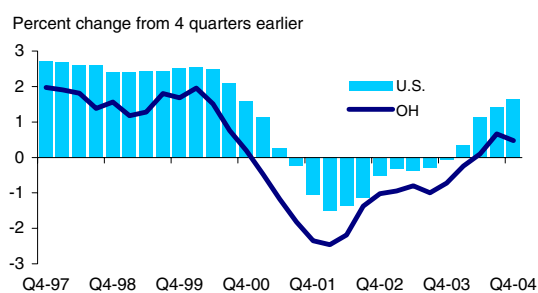
Household financial health shows signs of progress.

- Ohio's soft employment conditions contribute to the state's relatively high mortgage foreclosure rate and bankruptcy filings, compared with the nation. However, recent growth in personal income levels and a slower pace of personal bankruptcy filings may improve 2005 household finances (See Chart 2).
- Residential building activity continued to decline as single-family housing permits fell 11 percent in the year ending fourth quarter 2004. The growth rate for home resales increased as the pace of home price appreciation moved slightly lower to 3.9 percent year-over-year in the fourth quarter.

Commercial real estate (CRE) markets continue to stabilize.

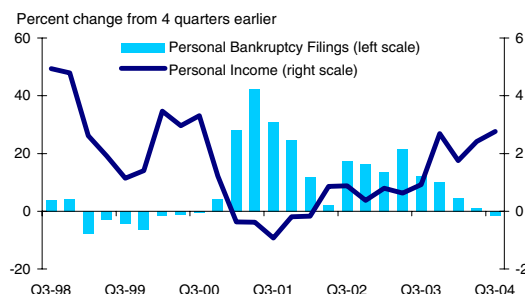
- Office vacancy rates remained relatively high for the **Cincinnati**, **Cleveland**, and **Columbus** metro areas; however, market conditions stabilized as vacancy rates edged down or remained flat over the past year (See Chart 3). Stronger demand for Class A space in the Cincinnati

Chart 1: Ohio's Job Growth Improves Slowly and Continues to Trail the Nation



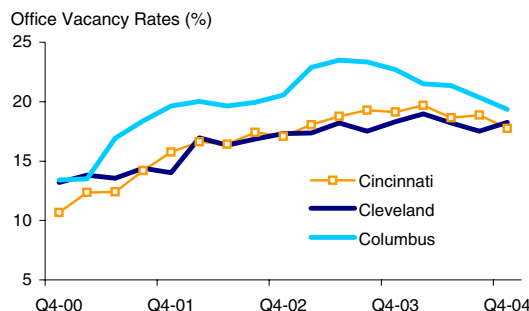
Source: Bureau of Labor Statistics

Chart 2: Ohio's Personal Income Improved and Personal Bankruptcy Filings Slowed



Source: Administrative Office of the U.S. Courts, Bureau of Economic Analysis

Chart 3: Office Vacancy Rates Declined Across Major Ohio Markets



Source: Torto Wheaton Research

State Profile

market and Class B space in the Columbus market contributed to the modest decline in vacancy rates.

Ohio community institutions¹ reported lower profitability² amid higher interest rates.

- Despite lower provision expense, return on assets for Ohio community institutions declined. Lower security gains and noninterest income contributed to most of the decline in profitability in 2004 (See Table 1).
- Net interest margins in 2004 for Ohio community institutions also expanded by three basis points from 2003 after declining year-over-year in the first half of 2004, as higher asset yields offset increased funding costs.
- Community institutions increasingly turned to noncore funding products, such as brokered deposits and FHLB borrowings, to fund asset growth. Core funding relative to assets declined 197 basis points from 2003 to 63.8 percent in 2004.
- Funding costs for all insured institutions increased in the latter half of 2004 as the federal funds rate rose to its highest level since 2001, suggesting that an uptick in short-term interest rates likely will contribute to increased funding costs in future quarters (See Chart 4).

Overall asset quality trends are stable.

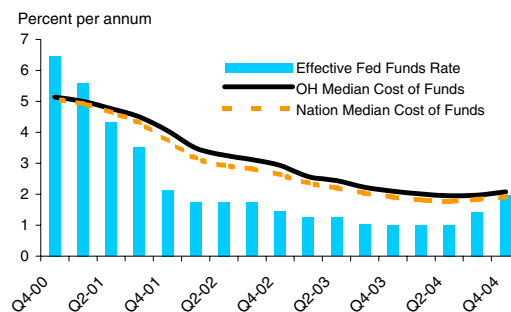
- Total assets among community institutions increased by 3.5 percent during 2004, led by growth in the CRE and home equity loan categories.
- Past-due rates at Ohio community institutions declined year-over-year for all loan categories except for home equity and multifamily real estate loans (See Chart 5). In view of the more rapid growth in these lending areas, additional monitoring may be warranted.
- Some banks in the Region have taken writedowns on earnings from impairment charges related to holdings of preferred stock from Fannie Mae and Freddie Mac (GSE holdings). Recent accounting problems at Fannie Mae and Freddie Mac have reduced the market value of these securities.

Table 1: Lower Security Gains and Noninterest Income Reduced Profitability

Income statement contribution (as a percentage of average assets)			
	Calendar year		Percentage Point Change
	2003	2004	
Net Interest Income	3.46	3.48	0.02
Noninterest Income	0.68	0.62	-0.06
Noninterest Expense	-2.74	-2.70	0.04
Provision Expense	-0.23	-0.16	0.07
Security Gains & Losses	0.26	0.11	-0.15
Income Taxes	-0.39	-0.37	0.02
Net Income (ROA)	1.04	0.98	-0.06

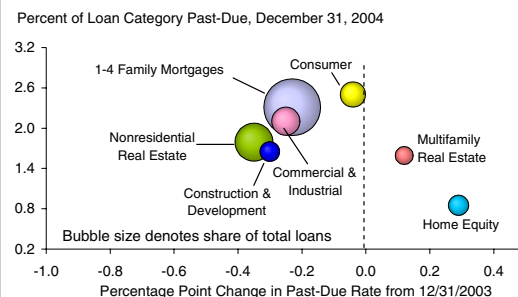
Source: FDIC. Merger-adjusted Data for Ohio's Community Banks and Thrifts.

Chart 4: Higher Fed Funds Rate Will Likely Lead to Higher Cost of Funds in Ohio



Source: FDIC and Federal Reserve

Chart 5: Delinquencies Improved Across Major Loan Categories



Source: FDIC. Merger-adjusted Data for Ohio's Community Institutions

¹Community institutions are insured institutions with less than \$1 billion in assets, excluding new (less than three years old) and specialty banks.

²All banking information reflects merger-adjusted data for the year ending December 31, 2004.

Ohio at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.4%	-0.7%	-1.0%	-2.3%	0.2%
Manufacturing (15%)	-0.3%	-5.2%	-4.8%	-9.3%	-1.7%
Other (non-manufacturing) Goods-Producing (5%)	1.2%	-0.9%	-2.1%	0.2%	-3.1%
Private Service-Producing (65%)	0.7%	0.2%	-0.2%	-1.4%	0.8%
Government (15%)	-0.4%	0.2%	0.1%	1.5%	1.1%
Unemployment Rate (% of labor force)	6.1	6.1	5.8	5.0	3.9

Other Indicators	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Personal Income	N/A	4.4%	2.2%	1.5%	3.5%
Single-Family Home Permits	-11.2%	2.7%	10.8%	8.1%	-8.6%
Multifamily Building Permits	5.2%	-20.6%	20.2%	-18.7%	-6.6%
Existing Home Sales	8.2%	4.8%	2.4%	8.9%	-1.0%
Home Price Index	3.9%	4.0%	3.4%	5.0%	4.9%
Bankruptcy Filings per 1000 people (quarterly level)	1.86	1.92	1.76	1.52	1.23

BANKING TRENDS

General Information	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Institutions (#)	290	304	315	324	339
Total Assets (in millions)	1,579,724	647,503	599,737	551,844	435,515
New Institutions (# < 3 years)	4	5	7	13	16
Subchapter S Institutions	20	19	18	17	15

Asset Quality	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.79	1.89	2.18	2.32	1.80
ALLL/Total Loans (median %)	1.00	1.07	1.02	1.00	0.96
ALLL/Noncurrent Loans (median multiple)	1.30	1.19	1.05	1.07	1.44
Net Loan Losses / Total Loans (median %)	0.13	0.12	0.12	0.11	0.08

Capital / Earnings	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Tier 1 Leverage (median %)	9.45	9.26	9.28	9.17	9.33
Return on Assets (median %)	0.87	0.95	0.98	0.91	0.94
Pretax Return on Assets (median %)	1.20	1.32	1.34	1.28	1.32
Net Interest Margin (median %)	3.83	3.80	3.90	3.78	4.00
Yield on Earning Assets (median %)	5.49	5.77	6.64	7.65	8.06
Cost of Funding Earning Assets (median %)	1.71	2.03	2.76	3.95	4.26
Provisions to Avg. Assets (median %)	0.11	0.12	0.15	0.13	0.11
Noninterest Income to Avg. Assets (median %)	0.48	0.54	0.51	0.50	0.45
Overhead to Avg. Assets (median %)	2.76	2.74	2.72	2.64	2.66

Liquidity / Sensitivity	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Loans to Assets (median %)	70.4	68.9	69.2	70.6	73.7
Noncore Funding to Assets (median %)	18.8	17.7	16.6	16.7	16.3
Long-term Assets to Assets (median %, call filers)	24.4	25.5	22.4	24.2	22.5
Brokered Deposits (number of institutions)	71	64	58	62	70
Brokered Deposits to Assets (median % for those above)	3.3	3.9	5.1	5.1	3.5

Loan Concentrations (median % of Tier 1 Capital)	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Commercial and Industrial	43.2	42.4	44.4	43.9	42.8
Commercial Real Estate	148.7	142.6	134.2	113.0	106.0
Construction & Development	21.2	16.5	16.6	15.8	14.6
Multifamily Residential Real Estate	7.2	7.4	7.6	6.8	5.6
Nonresidential Real Estate	96.5	87.0	80.0	75.0	68.0
Residential Real Estate	326.1	330.6	340.2	369.7	373.7
Consumer	38.1	41.6	45.0	54.0	60.9
Agriculture	37.5	44.8	45.8	52.2	45.8

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Cleveland-Elyria-Mentor, OH	47	62,258	< \$250 mil.	210 (72.4%)
Cincinnati-Middletown, OH-KY-IN	92	43,044	\$250 mil. to \$1 bil.	54 (18.6%)
Columbus, OH	58	26,103	\$1 bil. to \$10 bil.	15 (5.2%)
Akron, OH	29	9,396	> \$10 bil.	11 (3.8%)
Dayton, OH	33	9,363		